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SUBJECT: IMF MISSION IN BEIRUT EVALUATES SECOND QUARTER
MACROECONOMIC PERFORMANCE (ECONOMIC WEEK IN REVIEW, SEPT 7 - 13,
2009)

CONTENTS

-- IMF MISSION IN BEIRUT EVALUATES SECOND QUARTER MACROECONOMIC
PERFORMANCE
-- IMF RAISES 2009 GROWTH ESTIMATE TO 7%
-- LEBANON EXPECTS TO RECEIVE NATURAL GAS MID-SEPTEMBER
-- FIRST QUARTER FIGURES: TRADE AND FISCAL DEFICIT RISE
-- COUNTERFEIT WORKSHOP CALLS ON CENTRALIZING ENFORCEMENT EFFORTS
AND SPECIALIZED IP COURTS

IMF MISSION IN BEIRUT EVALUATES
SECOND QUARTER MACROECONOMIC PERFORMANCE

¶1. (SBU) On September 10, Domenico Fanizza, International Monetary
Fund (IMF) Division Chief for Middle East and Central Asia, met with
caretaker Finance Minister Mohammad Chatah to discuss macroeconomic
performance in the second quarter of 2009. Fanizza is leading an
Emergency Post-Conflict Assistance (EPCA II) mission to monitor
Lebanon's economic and monetary performance for the second quarter
of the year as EPCA II expired in June. Head of the finance
ministry's economic unit Rola Azour told us that the IMF is waiting
for a new government to be in place to discuss a post-EPCA II
arrangement.

IMF RAISES 2009 GROWTH
ESTIMATE TO 7%

¶2. (U) Following a meeting with Central Bank of Lebanon (CBL)
governor Riad Salameh on September 10, the IMF noted that Lebanon's
economic growth could reach 7% in 2009, up from its earlier
prediction of 4%. Salameh also highlighted Lebanon's unprecedented
\$3 billion balance of payments surplus during the first half of
2009, as well as the drop to 67% in the deposits dollarization rate,
as signs of growing confidence in the country's monetary position.

LEBANON EXPECTS TO RECEIVE
NATURAL GAS MID-SEPTEMBER

¶3. (U) The ministry of energy and water announced that Lebanon will
start receiving natural gas from Egypt mid-September through the
Pan-Arab Natural Gas Pipeline (Egypt-Jordan-Syria-Lebanon), based on
an agreement signed between Egypt and Lebanon earlier this year.
The gas will be routed to the Beddawi power station in northern
Lebanon. The agreement with Egypt will reduce the annual deficit of
the national power utility Electricite du Liban (EDL) and will
enable Lebanon to save \$200 million yearly on its fuel bill,
caretaker Minister of Energy and Water Alain Tabourian reportedly

said.

FIRST HALF FIGURES: TRADE
AND FISCAL DEFICIT RISE

¶4. (U) Lebanon's trade deficit reached \$6.1 billion during the first half of 2009, up 10.3% year-on-year. Imports rose by 7.1% to \$7.8 billion, while exports declined by 3.3% to \$1.69 billion. Switzerland was Lebanon's main destination for exports, with \$395 million or 23% of total exports, followed by UAE (9%), Iraq (9%), Saudi Arabia (8%), and Syria (6%). France was the main source of Lebanon's imports with \$974 million or 12% of total imports, followed by the U.S. (9%), China (9%), Germany (8%), and Italy (7%).

¶5. (U) According to the ministry of finance, the fiscal deficit reached \$1.55 billion in the first half of 2009, up by 18% year-on-year. The deficit amounted to 26.8% of total budget and treasury expenditures, down from 27.7% compared to the first half of 2008, thus improving slightly. Overall government expenditure reached \$5.81 billion, up by 21.9%, and total revenues reached \$4.26 billion, up by 23.4% compared to the first half of 2008. Debt servicing increased by 14.6% to \$1.85 billion, accounting for 31.8% of total expenditures and 45% of budgetary spending. Excluding debt servicing, the budget primary surplus reached \$1.87 billion (or 45.6% of budget expenditures), up from \$1.39 billion in the first half of 2008.

COUNTERFEIT WORKSHOP CALLS ON CENTRALIZING
ENFORCEMENT EFFORTS AND SPECIALIZED IP COURTS

BEIRUT 00001023 002 OF 002

¶6. (U) During the September 9 closing ceremony of an eight-week workshop on counterfeit and fake goods organized by the Institute of Finance and the Brand Protection Group (BPG), participants issued a series of recommendations intended to improve the intellectual property (IP) environment in Lebanon. Participants supported establishing a special committee to centralize the work of the various inspection bodies (customs, police, army, ministry of economy and trade, ministry of public health, and the state-owned tobacco company), and a central database on counterfeits. Recommendations also included increasing IP awareness among the public and private sector, removing political coverage for infringers, establishing specialized IP courts, and imposing tougher sentences.

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